

Retiring Times

Volume 1 Number 1

Retired Teachers

Spring 2001

Message from Vermont State Treasurer James Douglas

You are probably aware that this past year has been quite a roller coaster ride in the financial markets. I would like to take this opportunity to put your mind at rest about the integrity of your pension system.

The pension fund is diversified over several different asset classes, such as stocks, bonds, and real estate. These asset classes behave very differently from one another. Thus, some asset classes will grow rapidly in value while others are sluggish or even going down. Overall, however, the total value of the pension fund increases almost every year, exactly what we hope to achieve through diversification.

Diversification really does work. Despite the market volatility, your pension fund

has performed well, returning 3.44% during 2000. This is well above the median return of 0.63% among public funds around the country. Over the past five years, the average annual return has been 13.39%, with total assets in the fund at year's end of \$1.18 billion. During that same period the fund distributed \$39 million in benefit payments. Thus, the uncertainty in the capital markets is not affecting the security of pension benefits for the State's teachers.

As you may know, legislation has been introduced to provide for more choice among pension benefits. The bill provides for an optional Defined Contribution (DC) plan for teachers to be available in January 2003. Up to now, only exempt

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Message from Retirement Operations Director Cynthia Webster

This newsletter represents the first in our continuing series of quarterly newsletters. The newsletters will bring timely and useful information to you regarding the Vermont State Teachers Retirement System (VSTRS).

Regular quarterly newsletters are now possible due to the creation of a new position within the State Treasurer's Office. I would like to welcome Joe Bahr, our new Information and Education Specialist

who, among other tasks, will be responsible for producing these newsletters. In his capacity as Editor, Joe will be bringing you news of current activity, as well as important on-going education of the various benefits available through your retirement plan.

We hope to feature one to two specific benefit provisions each quarter and

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State employees and some municipal employees have had this option available to them. The DC plan is a 401(a) plan, which is very similar to either a 401(k) or 403(b) plan, to which the employer also contributes. Those teachers who choose DC would control their own pension assets and thus have more responsibility for their retirement. A DC plan is also portable – if you leave your job, your retirement assets can continue to grow in a qualified investment plan. When you retire, these assets are yours.

Legislation is pending to increase the State's portion of health care premiums for retirees. The bill passed out of the House with smaller increases than those proposed by the Governor, but is now being debated in the Senate and could have further changes.

In addition, the House-passed budget includes a larger contribution to the pension system than the Governor recommended. It's not as much as I requested, based on our actuary's calculation, but it's the first time in years that a legislative chamber has appropriated more than was included in the Governor's budget.

The Treasurer's Office will keep you posted on new developments with your Defined Benefits plan, Defined Contribution legislation and health care benefit changes. Remember, we are here to help. You are always welcome to get in touch with us if we can be of any assistance.

James H. Douglas
State Treasurer
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Open Enrollment for Health Care Plans

Now is the time to review your health care plan and decide to stay with it or change to another plan. All retirees have several plans from which to choose.

The JY, JY Carve-Out, \$250 Comprehensive and \$250 Comprehensive Carve-Out plans offer comparable coverage for the most common medical expenses. The only real difference is how you pay the annual deductible. (See the chart on page 3 for a comparison of the coverage for hospital, outpatient and physician charges.) The plans offer an annual \$500 per person out-of-pocket maximum; and, with the new pre-

scription drug program, both plans offer identical prescription coverage as well.

Now consider the price of the health care plans. The JY Carve-Out Plan (with Medicare coverage) currently costs \$1,408 annually for one person, compared to \$893 for the \$250 Comprehensive Plan. That represents a difference of over **\$515** per year in premiums. The annual savings doubles to \$1,030 for two people on the plan. Even with the larger up-front deductible, the \$250 Comprehensive Carve-Out Plan represents a significant out-of-pocket premium savings with the same basic coverage as the JY Carve-Out Plan.

Details of these plans can be found in a free booklet from the Retirement Office, which also has the forms for selecting a different health care plan. To contact the Retirement Office, please call 828-2305 or 1-800-642-3191. (Toll-free calls must be made from Vermont.) June 8 is the deadline for selecting a new health care plan.

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provide you with an in-depth explanation of how the benefit works and what it might mean to you as a VSTRS member.

We also intend to include a ***Question and Answer*** section as space permits where we will provide short, plain-English responses to frequently asked questions.

I would like to encourage you to write Joe and let him know what type of articles or specific questions you would like addressed in future newsletters. He may be reached at the follow-

ing:

Joe Bahr, Information & Education Specialist
Vermont State Treasurer's Office
133 State Street
Montpelier, Vermont 05633

OR

e-mail: jbahr@tre.state.vt.us

Our goal is to make this newsletter as helpful and educational as possible for ***you***, our valued members.

Cynthia L. Webster
Director of Retirement Operations

Comparison Of Health Care Plans

This table provides a very quick summary of two of the available medical plans for retirees. The information assumes that you are eligible for Medicare.

If you have questions about any of the information in this table, please call the Retirement Office at 828-2305 or 1-800-642-3191. (Toll

free calls must be made from Vermont.)

Deadline for changing health care plans is June 8. The new plan will take effect on July 1.

Medical premiums are expected to increase by 14.2% beginning July 1, 2001.

Selected Services	JY Carve-Out Plan	\$250 Comprehensive Carve-Out Plan
Hospital Inpatient	Medicare makes its benefit determination. JY covers balances (or the entire charge if Medicare makes no payment) at 100% of the Allowed Price for up to 365 days per stay. Then benefits for balances are subject to your \$100 Major Medical deductible.	Medicare pays first. Then you cover any balances until your out-of-pocket expenses plus the amount Medicare covers reaches your \$250 deductible. \$250 Comprehensive covers Medicare balances for approved services at 80% of the Allowed Price until you reach the out-of-pocket maximum of \$500. After that, \$250 Comprehensive covers at 100%.
Hospital Outpatient	Medicare makes its benefit determination. JY covers balance (or the entire charge if Medicare makes no payment) at 100% of the Allowed Price.	
Physician's Office Visits	Medicare makes its benefit determination. JY covers balance (or the entire charge if Medicare makes no payment) up to \$200. Beyond \$200, your Medicare balances are subject to your \$100 Major Medical deductible. Then JY pays 80% of your portion of the Medicare co-payment until you meet your Major Medical out-of-pocket maximum of \$500. JY then pays at 100%.	

Prescription Drugs Program

Many of you started a new prescription drug program in January. Here are the major points to remember as you use the new service:

1) Your pharmacy must be a member of the RESTAT network. This should not be a problem since 97% of all pharmacies in the US are members of the RESTAT network. In Vermont, all pharmacies are members.

2) You must show your ID card from Blue Cross and Blue Shield of Vermont to the pharmacy when you purchase prescription drugs.

3) Generic drugs may be as effective as brand-name drugs, but require only a \$6 co-payment for a 30-day subscription. Brand-

name drugs have a \$12 or \$24 co-payment; the cheaper co-payment applies to those prescription drugs on the Preferred Brand-Name Drug List. Check with your doctor.

4) You pay for the first \$100 of prescription drug purchases in each year. After that, you only are charged for the co-payment fee.

5) If you have a long-term prescription, you can use a mail-order program and save one-third on your co-payment costs.

For all of the details, please see the brochure about the Vermont Educational Health Initiative that you received in October of last year. If you cannot find your brochure, call Blue Cross Blue Shield of Vermont at 1-800-344-6690 for another copy.

Next newsletter: Military Survey Results

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